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FOR SISCO

FOLLOWING TEL SENT ACTION SECSTATE INFO BONN, LONDON, MOSCOW,
OPORTO, PARIS, PONTA DELGADA, STOCKHOLM, NATO, DIA, USCINCEUR
FROM LISBON OCT 29:

QUOTE C O N F I D E N T I A L LISBON 6359

E.O. 11652: GDS

TAGS: PINT, PGOV, PO

SUBJ: CREEPING OPTIMISM IN PORTUGAL

SUMMARY: CONTACTS IN THE PAST TWO DAYS WITH MELO ANTUNES,
VITOR CRESPO, TOMAS ROSA, MARIO SOARES AND SA CARNEIRO REVEAL
A GROWING BUT QUALIFIED OPTIMISM AMONG SUPPORTERS OF SIXTH
PROVISIONAL GOVERNMENT. COSTA GOMES REMAINS AN ENIGMA, BUT THERE IS
A GROWING RESPECT FOR AZEVEDO'S DETERMINATION AND NEW FOUND
POLITICAL SOPHISTICATED. THE FAILURE OF THE OCTOBER 23
FUR/PCP DEMONSTRATION, THE GOVERNMENT'S RESISTENCE TO
PRESSURE ON OCTOBER 24, THE IMPRESSIVE SUPP
RT FOR AZEVEDO

DEMONSTRATED AT OPORTO, AND THE FORMATION OF THE NEW MILITARY
INTERVENTION UNIT (AMI) ARE CITED AS ENCOURAGING SIGNS. AREAS OF
CONTINUING CONCERN ARE THE ECONOMY, INDISCIPLINE IN THE ARMY AND
THE AZORES. CONTINUED US SUPPORT IS URGED, BUT FEW PLANS EXIST
FOR DEALING WITH THE CRITICAL BREAKDOWN OF INFRASTRUCTURE BROUGHT
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ABOUT BY THE VASCO GONCALVES FORCES. END SUMMARY.

1. THE VISIT OF DEPUTY ASSISTANT SECRETARY LOWENSTEIN PROVIDED AN OPPORTUNITY FOR A QUICK PULSE TAKING WITH SELECTED KEY POLITICAL FIGURES. MELO ANTUNES STARTLED THE NATO AMBASSADORS (WITH A FEW EXCEPTIONS) AT AN OCTOBER 27 LUNCH IN HIS HONOR BY STATING HE WAS "OPTIMISTIC" ABOUT THE EVOLVING POLITICAL SITUATION IN PORTUGAL. HE CLAIMED MILITARY INDISCIPLINE WAS BEING GRADUALLY CONFINED AND WAS DUE PRINCIPALLY TO A HANDFUL OF AGITATORS WHO "LACKED PROFESSIONALISM." HE IMPLIED THAT STEPS WOULD HAVE TO BE TAKEN TO GET FABIAO OUT OF THE CHAIN OF COMMAND.

2. SBUSEQUENTLY LOWENSTEIN AND I CALLED ON ADMIRAL VITOR CRESPO. WE ASKED ABOUT THE IMPACT OF ANGOLA ON INTERNAL POLITICAL DEVELOPMENTS. CRESPO SAID TENSIONS BETWEEN THE PCP, WHICH BACKED MPLA, AND THE MODERATE GROUPS SUPPORTING THE GOP'S ANGOLAN POLICY WOULD CONTINUE UNTIL NOVEMBER 11. THEN MATTERS WOULD BECOME SIMPLER. HE STRESSED THAT THERE WERE ABSOLUTELY NO DIVISIONS BETWEEN HIMSELF AND MELO ANTUNES, NEITHER ON DECOLONIZATION MATTERS NOR ON INTERNAL POLICY. PRESS REPORTS ALLEGING SUCH DIVISIONS WERE NOTHING BUT MALICIOUS PROPAGANDA. CRESPO SAID HE NOW SAW THE ELECTIONS AS THE ONLY SOLUTION TO PORTUGAL'S PROBLEM.

3. MARIO SOARES RECEIVED LOWENSTEIN WARMLY OCTOBER 28 AND TALKED FREELY ABOUT POLITICAL SITUATION. LAST FRIDAY (OCTOBER 24) SOCIALISTS HAD BEEN EXTREMELY CONCERNED WITH ALL OUT COMMUNIST EFFORT TO OUST OR RESTRUCTURE AZEVEDO GOVERNMENT. SIX PRO-COMMUNIST GROUPS HAD EXERTED STRONG PRESSURE ON AZEVEDO TO PREVENT HIM FROM GOING TO OPORTO. AZEVEDO HAD RESISTED AND TRIP HAD BEEN A MAJOR SUCCESS. NEW INTERVENTION GROUP(AMI) WAS NOW BEGINNING TO TAKE SHAPE, AND RECENTLY NAMED COMMANDERS OF REPUBLICAN NATIONAL GUARD (GNR) AND NATIONAL POLICE (PSP) WERE STRONG AND LOYAL MEN. HE WAS IN TOUCH WITH THE ANTUNES NINE AND THEY FELT THEIR SUPPORT IN THE ARMY WAS INCREASING.

4. SOARES WAS CONCERNED PRINCIPALLY ABOUT COMMUNIST EFFORTS TO "DESTROY THE ECONOMY." THEY HAD BROUGHT PORTUGAL TO THE BRINK OF DISASTER, HE SAID, AND NOW THEY WERE UNWILLING
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TO PAY THE POLITICAL PRICE FOR THEIR ACTS. HE HAD ALSO HEAD THAT PCP HAD MADE A DECISION TO STIMULATE INDEPENDENCE MOVEMENTS IN THE AZORES. BY DOING THIS THEY HOPED TO GAIN A PROPAGANDA ADVANTAGE AGAINST THE AMERICANS AND TO FURTHER UNDERMINE THE AZEVEDO GOVERNMENT.

5. SOARES SAID AZEVEDO HAD BEEN FAR TO THE LEFT PRIOR TO TAKING OFFICE BUT HE NOW UNDERSTOOD THAT COMMUNISTS WERE AT

THE ROOT OF THE NATION'S PROBLEMS. UNFORTUNATELY COSTA GOMES DID NOT YET UNDERSTAND THIS, AND HE EXPECTED PRESIDENT TO CALL HIM AND CUNHAL IN AGAIN TO TRY IN EFFECT A RAPPROCHEMENT. SOARES SAID HE WOULD NEVER JOIN THE PRESIDENT IN ACCEDING TO COMMUNIST EFFORTS TO FORCE PPD OUT OF THE GOVERNMENT. HE UNDERSTOOD ONLY TOO WELL THE COMMUNIST SALAMI TACTICS AND HAD TOLD COSTA GOMES TO GET THAT IDEA OUT OF HIS HEAD. AZEVEDO SUPPORTED HIM ON THIS. AFTER WEEKEND'S VICTORIES SOARES WAS MORE OPTIMISTIC THAT AZEVEDO'S EFFORTS WOULD SUCCEED, THAT PORTUGAL COULD GET THROUGH THE ELECTIONS AND THAT COMMUNIST STRENGTH OVERALL COULD BE CONTINUED AT A LEVEL OF ABOUT 8 PCT.

6. LOWENSTEIN ASKED SOARS HOW HE VIEWED AMERICAN POLICY. SOARES SAID HE FOUND PRESENT AMERICAN POLICY BOTH CORRECT AND DISCREET. THE WAY THE SITUATION WAS EVOLVING. HE THOUGHT THAT IN A FEW WEEKS THE US COULD BECOME MORE ACTIVE. HE POINTED OUT THAT SOVIETS HAD AN ENORMOUS EMBASSY AND WERE BRINGING ONE CULTURAL EVENT AFTER ANOTHER TO PORTUGAL. HE IMPLIED THAT IT WOULD BE HELPFUL IF WE WERE TO ENGAGE IN SIMILAR ACTIVITIES. SOARES ALSO SEEMED SATISFIED WITH THE CURRENT WESTERN EUROPEAN APPROACH TO PORTUGAL.

7. SA CARNEIRO'S ANALYSIS OCTOBER 28 DID NOT DIFFER GREATLY FROM THAT OF SOARES. HE TOOD ATTACHED CONSIDERABLE SIGNIFICANCE TO FAILURE OF FUR DEMONSTRATION AND SUCCESS OF AZEVEDO'S VISIT TO OPORTO: "WE SUCCEDED AND THEY FAILED." HE THOUGH ACTION BY THE PPD AND THE SOCIALISTS HAD NIPPED A COMMUNIST POWER PLAY IN THE BUD LAST FRIDAY AND THAT SITUATION WOULD NOW SETTLE DOWN A BIT. SA CARNEIRO SAID OPORTO VISIT HAD BEEN PURPOSELY TIMED WHEN AZEVEDO WAS ACTING PRESIDENT OF REVOLUTIONARY COUNCIL SINCE GONCALVES'S FORCES WERE ATTEMPTING TO REESTABLISH THEMSELVES ON THAT BODY. CONFIDENTIAL

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AZEVEDO UNDERSTOOD THIS, AND HE ALSO UNDERSTOOD THAT HE WOULD SOON HAVE TO DEAL WITH FABIAO, OTELO AND ROSA COUNTINHO. OPORTO VISIT DEMONSTRATED AZEVEDO'S STRENGTH, LENT SUPPORT TO VELOSO AND WEAKENED FABIAO (FABIAO WAS BOOED BY THE CROWD). LIKE SOARES, SA CARNEIRO PRAISED AZEVEDO. SAID HE WAS NOT EXTREMELY INTELLIGENT AND HAD BEEN PREVIOUSLY DOMINATED BY PC ELEMENTS AROUND HIM. NOW, HOWEVER, HE WAS INCLINED TO TAKE ANTI-COMMUNIST POSITIONS, AND HE HAS MADE IT CLEAR HE IS NOT AGAINST SOCIAL DEMOCRACY.

8. WE ASKED BOUTH SOARES AND SA CARNEIRO ABOUT RELATIONS BETWEEN PS AND THE PPD. WHILE THERE ARE OBVIOUSLY POINTS OF FRICTION BETWEEN THE TWO, EACH PROFESSED TO BE GENERALLY SUPPORTIVE OF THE OTHER. SOARES SAID HE THOUGHT THE PPD WAS BECOMING MORE CONSERVATIVE UNDER SA CARNEIRO, AND WAS

EVEN TO THE RIGHT OF THE CDS. BUT HE RECOGNIZED THAT HE NEEDED THEM. SA CARNEIRO SAID SOARES WAS IN DANGER OF LOSING HIS LEFT WING BUT HE WAS STILL IN CLOSE TOUCH WITH HIM AND WAS TRYING TO WORK OUT AN OVERALL STRATEGY WITH THE SOCIALISTS.

9. COMMENT: WHILE ANTUNES, CRESPO, SOARES AND SA CARNEIRO WERE ALL OPTIMISTIC I SHOULD STRESS THAT IT WAS VERY MUCH A QUALIFIED OPTIMISM. NONE HAD AN ANSWER TO THE QUESTION OF HOW TO REBUILD PORTUGAL'S INFRASTRUCTURE AND ALL RECOGNIZED THAT SERIOUS PROBLEMS OF INDISCIPLINE REMAINED, THAT THE GOVERNMENT STILL LACKED AUTHORITY AND THAT THE ECONOMY BORDERED ON DISASTER. BUT ALL SEEMED TO REGARD THE COMMUNISTS AS ON THE DEFENSIVE AND ALL SEEMED TO BE CAUTIOUSLY HOPEFUL THAT THE AZEVEDO GOVERNMENT MIGHT JUST BE ABLE TO LEAD THE COUNTRY THROUGH TO THE ELECTIONS.
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